

MONTHLY SOYBEAN SUPPLY & DEMAND ROUND-UP

no.19, July 2013

Date of aggregation: 23rd July

1. Review of 2012/13 season

In July, global soybean production in 2012/13 has been revised downwards to 266 million tons, 0.8 million tons (or 0.3 percent) less than our last estimate. The correction mainly reflects lower estimates for harvested area – and consequently reduced total output – in Argentina.

World soybean utilization is now estimated to exceed 267 million tons, up 1.7 million tons (or 0.6 percent) from last month’s estimate, mainly reflecting higher domestic utilization in Argentina, where soybean exports have been revised downward. Following the latest revisions, in 2012/13, global production is set to fall short of utilization by 1.2 million tons (or 0.5 percent), as opposed to the 8 million tons production surplus forecasted at the start of the current season.

As to trade in soybeans, compensating changes have maintained the global estimate for 2012/13 about unchanged. On the export side,

increased shipments from Brazil have been offset by downward revisions for Argentina,

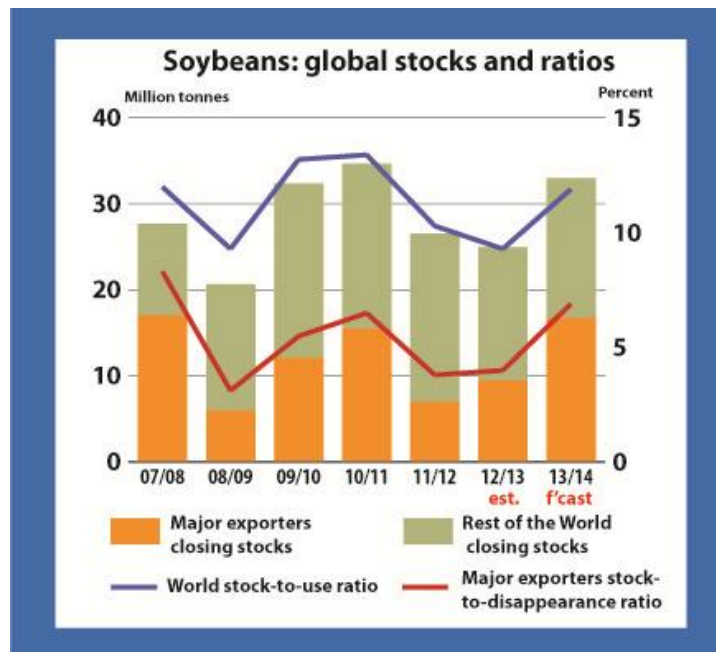
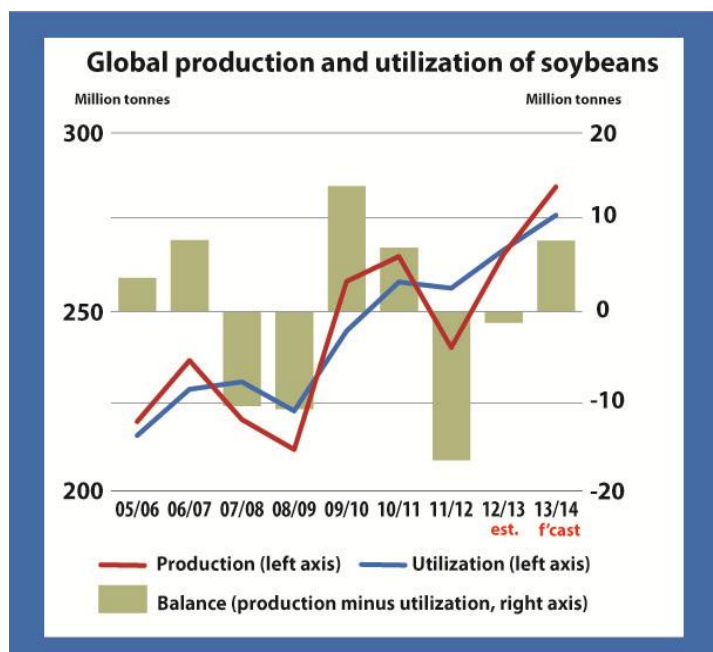
while with regard to imports minor changes have occurred in a number of countries. Estimated at just 25 million tons, 2012/13 carry-out stocks have been reduced by 3.8 percent compared to last month. The correction is mainly on account of a downward revision for Brazil, where inventories have been trimmed in favour of higher shipments to overseas markets. The revision has led to downward corrections in both the world stock-to-use ratio and the major exporters’ stock-to-disappearance ratio.

2. First projections for 2013/14 season

World at a glance

FAO’s first 2013/14 supply and demand forecast points to a 7 percent expansion in global production compared to the record 2012/13 outcome.

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Current estimates also point to a 6 percent increase in total supplies, which, at nearly 310 million tons, would exceed the record set in 2010/11.

Next season's global soybean utilization is tentatively forecast at 277 million tons, implying a growth of about 4 percent compared to the current season. Hence, in 2013/14, global production could exceed utilization by around 8 million tons or almost 3 percent – in contrast to the current season's likely production deficit of about 1.2 million.

As to global soybean trade, the forecast for 2013/14 ranges about 7 percent above the current season's level.

The forecast for global 2013/14 end-of-season stocks points to a marked recovery – up by 8 million tons or 33 percent – compared to corresponding 2012/13 level. Based on today's tentative forecast, both the global stock-to-use ratio and the stock-to-disappearance ratio for major exporters are expected to improve significantly in 2013/14.

Country details

Supply: The projected increase in global *production* to almost 285 million tons will mainly be on account of the United States. In the United States, weather related planting delays for corn have benefited soybean sowings, which, assuming optimal yield levels, could result in a record soy crop of 93 million tons. The current estimate represents a 13 percent improvement over last year's output, which would put an end to the series of drops recorded over the last three years. In South America, where the crop will be planted only later this year, production is likely to expand further. In Argentina and Brazil, production is tentatively projected to rise by 8 and 3 percent respectively, as the expectation of good returns should spur plantings. However, the production outlook remains tentative due to persisting uncertainties over government policies in Argentina and unresolved logistical problems affecting competitiveness in Brazil. India is expected to raise its production by 9 percent, reaching a record 11.7 million tons thanks to favourable monsoon rains, whereas in

World soybean supply and demand				
	2010/11	2011/12	2012/13 estimate	2013/14 forecast (26/07/'13)
 in '000 mt			
Production	265433	239983	266022	284874
Supply ¹	297814	274637	292565	309799
Utilization ²	258283	256563	267232	276940
Trade ³	90809	94350	97595	104350
Ending stocks	34654	26543	24925	32978
 in percent			
World stock-to-use ratio	13.4	10.3	9.3	11.9
Major exporters' stock-to-disappearance ratio ⁴	6.5	3.8	4.0	6.9
¹ Supply is defined as production plus opening stocks .				
² Utilization is defined as domestic disappearance and includes primarily crush, plus seed, waste and confectionary uses.				
³ Trade refers to exports.				
⁴ Major exporters considered for this ratio include United States, Argentina, Brazil and an aggregate of other South American countries, and 'disappearance' comprises exports of the countries listed.				

China a further drop in output, by about 4 percent, appears likely due to additional reductions in planted area.

Global *supplies* (i.e. including 2012/13 closing stocks) are forecast to increase by about 6 percent, mainly reflecting the boost in production forecasts, considering that global 2012/13 ending stocks are pegged at a historically low level of 25 million tons.

Utilization: World soybean consumption in 2013/14 is tentatively estimated to reach 277 million tons, implying a year-on-year growth of 3.6 percent, which compares to a 4.2 percent rise in 2012/13. The expansion in demand is expected to concentrate in China, where domestic consumption is forecast to rise 5 percent, thus recovering from the current season's historically low rate of less than 1 percent. Some further expansion in domestic crush is also likely in Argentina, Brazil, the United States and India.

Inventories: In 2013/14, a substantial increase in global end-of-season stocks seems likely. The strongest replenishment is expected in the United States, where inventory levels dropped to a 10-year low in 2012/13. US closing stocks in 2013/14 are tentatively pegged at 8 million tons, 2.4 times higher than this season and the highest level in 7 years. Stock replenishments are also likely in Argentina and Brazil. In China, where inventories have been downsized for the last three seasons, a modest build-up (0.8 percent) is anticipated for 2013/14. Both the global *stock-to-use ratio* and the major exporters' *stock-to-disappearance ratio* are expected to recover markedly: the currently estimated levels of, respectively, 12 and 7 percent would correspond to 3-year and 6-year highs.

Trade: First estimates for 2013/14 point to an about 7 percent increase in global soy imports and exports (compared to 2012/13). On the export side, the United States expect to expand their shipments by over 3 million tons or 8.5 percent. Brazil has the potential to raise its exports by another 2.7 million tons, which would consolidate its position as the world's leading supplier – a place held by the United States until 2011/12. Argentina, other producers in South America and the Ukraine should also continue expanding their export volumes, while Canada is likely to reduce its shipments in 2013/14. With respect to global import demand, much of the anticipated rise is expected to originate in China: after stagnating in the current season, China's purchases are forecast to resume growing, possibly approaching 66 million tons, which would be 11 percent higher than this season.

Soyoil/soymeal supply and demand

Current soybean crop forecasts for 2013/14 are expected to translate into a year-on-year increase in soymeal and soyoil production in the 8 percent range.

As to utilization, year-on-year, global consumption of soy oil is tentatively forecast to grow by 4-5 percent, whereas soy meal utilization, after contracting in 2012/13, is expected to expand by about 6 percent, mainly reflecting more ample soybean availabilities. With respect to individual countries, in China, domestic soymeal consumption should climb to a new record, whereas in the EU and the USA, although growing, demand is likely to remain below past records. As to soyoil, in China, the world's largest consumer, domestic consumption

Soy products: global supply and demand								
	Soybean meal				Soybean oil			
	2010/11	2011/12	2012/13 estimate	2013/14 forecast (26/07/13)	2010/11	2011/12	2012/13 estimate	2013/14 forecast (26/07/13)
 in `000 mt in `000 mt			
Production	186937	168299	186136	201687	44481	40171	45009	48456
Consumption	178536	182367	181031	192171	42034	43433	44902	46892
<i>Note: Production data for soybean oil (cake) simply refer to the oil (cake) equivalent of current soybean production, i.e. they do not reflect the outcome of actual crushing.</i>								

is forecast to grow at a below-average rate of 6 percent.

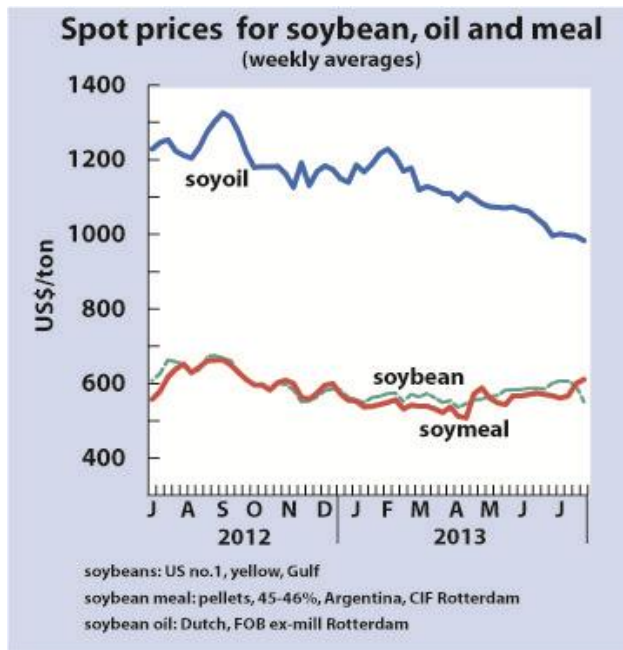
3. Price developments

On average, in July, international quotations for soybeans remained mostly unchanged from their June level, while soymeal prices appreciated further – for the fourth consecutive month – and soyoil prices remained under downward pressure.

With regard to soybeans, the market has been subject to divergent forces: while continued limited supplies in most importing countries exerted upward pressure, improved production prospect in the United States (following beneficial rains during July and forecasts of favourable weather conditions) tended to push prices down towards the end of the month. Better than earlier anticipated production prospects in India also put downward pressure on prices.

The persistent strength in soybean meal values is mainly attributable to sharply reduced old crop availabilities in the United States, which, together with further delays in shipments from major South American ports has led to prolonged supply tightness in several importing countries. Although slightly below the corresponding value of last year, in July, soymeal prices remained well above their historic average.

By contrast, international soybean oil prices continued to weaken mainly reflecting subdued demand growth, notably from the biodiesel sector. The marked increase in soyoil export availabilities in Argentina – resulting primarily from reduced purchases by the biodiesel industry – also weighed on prices. Also the prospect of ample supplies of the other main vegetable oils seems to have contributed to the weakening in international soyoil values.



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Average soybean, soyoil and soymeal prices (US\$ per ton)						
 week ending on monthly avg.	
	26-Jul-'13	19-Jul-'13	12-Jul-'13	5-Jul-'13	Jun 2013	Jun 2012
SPOT						
<i>soybeans (US no.1, yellow, Gulf)</i>	551	594	606	607	590	546
<i>soybean meal (pellets, 45-46%, Argentina, CIF Rotterdam)</i>	610	600	567	561	571	517
<i>soybean oil (Dutch, FOB ex-mill Rotterdam)</i>	983	995	997	1001	1043	1179
FUTURES						
<i>soybeans (CBOT, September contract)</i>	479	487	484	474	493	504
<i>soybean meal (CBOT, September contract)</i>	462	463	451	434	447	446
<i>soybean oil (CBOT, September contract)</i>	978	1006	1025	1027	1052	1106
Source: USDA, CME, Bloomberg						